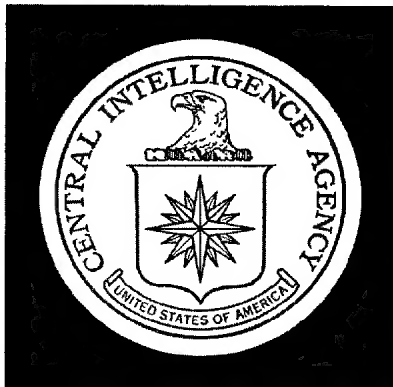


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DIRECTORATE OF
INTELLIGENCE

Intelligence Report

The Situation in South Vietnam

(Weekly)

ARMY review(s) completed.

USAID review completed

State Dept. review completed

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22 May 1967
No. 0351/67

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

THE SITUATION IN SOUTH VIETNAM
(15 May - 21 May 1967)

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I. POLITICAL SITUATION

Presidential politics continue to center on the unresolved rivalry between Premier Ky and Chief of State Thieu.

The Constituent Assembly has completed its work on the presidential election law, and now is dealing with electoral regulations for the future senate. At least one formidable slate of senate candidates is already definitely in the making.

The militant Buddhists are planning to use the occasion of Buddha's birthday on 23 May to exploit the peace issue, but they probably will not attempt to incite large demonstrations.

Presidential Electioneering

1. In press interviews and public statements last week, Chief of State Thieu seriously opened the possibility of his presidential candidacy in opposition to Premier Ky, but stopped short of committing himself. Foreign Minister Tran Van Do told a US official that General Thieu has definitely decided to run, and several reporters also received that impression after interviews with Thieu. It is not yet clear, however, whether an official announcement by Thieu will be made soon.

2. In several interviews with the press last week, General Thieu also appeared to be particularly deliberate in stressing his belief that a presidential contest involving himself and Ky on opposing tickets would not lead to serious trouble in the army. Prior to these remarks, most military leaders had taken the position that only one military man should run for president. Even Premier Ky, in announcing his candidacy on 12 May, paid lip service to this principle by hinting that he might withdraw if Thieu chose to run.

3. Thieu also declared that he was actively seeking to organize a broad political front backing

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25X1 his candidacy, and that he thought he could win.

it appears doubtful that any broad front has yet been developed. It would seem more likely that Thieu is maneuvering within the military and feeling out a handful of key civilian politicians, some of whom are probably potential candidates themselves. By promoting rumors of his imminent candidacy in the meantime, Thieu probably hopes to maintain his present military support and to prevent the military establishment from consolidating behind Premier Ky. If successful, this tactic would also allow Thieu to exercise another possible option, that of backing or running with a prominent civilian candidate.

4. Premier Ky, who is officially in the race, told newsmen that he would have no comment on Thieu's apparent candidacy until he had a chance to talk to Thieu himself.

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5. With Thieu in the race, Ky would still seem to have enough support to wage a meaningful campaign. It thus appears somewhat doubtful that Ky would actually resign from the government and withdraw from the race.

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6. Despite Thieu's remarks to the contrary, open competition for the presidency between Ky and Thieu would effectively divide the political power that has ruled South Vietnam for the past two years. At the least, Thieu's current stance indicates that the rivalry which has built up between the two leaders during the past several months remains as strong as ever, does not appear to be susceptible to easy resolution, and does not speak well for future military unity.

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Constituent Assembly Developments

7. The Constituent Assembly voted final approval of the presidential election law on 16 May. During its final review of the law, the assembly voted down an attempt to include a provision stipulating that the winner must achieve a necessary minimum percentage of the vote, or win a runoff election. As the law now stands, the candidate who gets the most votes will be elected, regardless of how small a percentage he receives. Supporters of Premier Ky backed this provision and its acceptance by the assembly is considered a notable victory--and advantage--for Ky.

8. Before being promulgated by Chief of State Thieu, the law will be considered by the Directorate, which constitutionally exercises executive powers until an elected president assumes office. Various Directorate members, including General Thieu, have criticized the law's provisions for nominating presidential candidates. It is not clear whether the Directorate will attempt to amend the nomination process, which stipulates that a presidential candidate must be sponsored by a total of 30 assemblymen and/or provincial or municipal councilors.

9. The assembly, meanwhile, has turned its attention to drafting electoral regulations for the upper house of the future legislature. In sessions on 19 and 20 May, the assembly chose 17 December as the date for the election of the upper house. It also decided that the senate shall consist of 60 men, composed of the six 10-man slates receiving the most votes nationwide. Each voter will only be allowed to vote for one list.

10. When ratifying the constitution in late March, the ruling Directorate and Armed Forces Congress declared that the senate election would be held on the same day as the presidential election in early September, with the lower house election in early October. By attempting to delay the upper house election until mid-December, the assembly may be trying to prolong its own life. The constitution stipulates that once the president assumes office, the assembly will assume full legislative powers

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until the elected legislature is convened. The assembly has not yet set a date for lower house elections, but it presumably will decide on some date after 17 December.

Candidates for Future Senate

11. With the assembly beginning debate on the upper house election law, the nucleus of at least one formidable slate of candidates already appears definitely in the making. On 12 May, retired general Tran Van Don stated that he plans to run for the senate along with publisher Dang Van Sung and former deputy premier Tran Van Tuyen. It is possible that both the chairman of the Peoples-Armed Forces Advisory Council, Nguyen Van Loc, and a ranking official of the country's largest labor group may join this slate in the future.

12. General Don indicated that the slate would back Premier Ky for president. In addition, Dang Van Sung hopes to extend the influence of this group to lower house candidates, and to make it the basis of a national worker-peasants party. The US Embassy believes that Sung's plans are at present some way from reality. If the slate receives strong government backing, however, it could conceivably become the nucleus for a national party.

Buddhist Developments

13. The self immolation of a Buddhist woman in the Saigon area on 16 May, the first day of a week-long religious celebration leading up to Buddha's birthday on 23 May, has raised the possibility that militant Buddhists might attempt to launch another serious antigovernment campaign. The suicide victim left behind letters and a poem calling for an end to the war; handbills distributed later stated that the woman killed herself as a "prayer for peace" at a time when monks were initiating a week of peace prayers at all pagodas. In addition, a small Buddhist parade, commemorating members of the "struggle" movement who were killed last year, took place without incident in Da Nang on 13 May.

14. In general, there have been numerous indications that the militant followers of Thich Tri Quang

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hope to monopolize the peace issue, and, by discrediting the government and the US in the process, to regain political momentum. The government, however, is far better prepared to deal with any challenge to public order than it was during the first phase of last year's "struggle" movement. There are at least implications that militant Buddhist leaders recognize the current strength of the government, and do not plan to initiate any large demonstrations at present.

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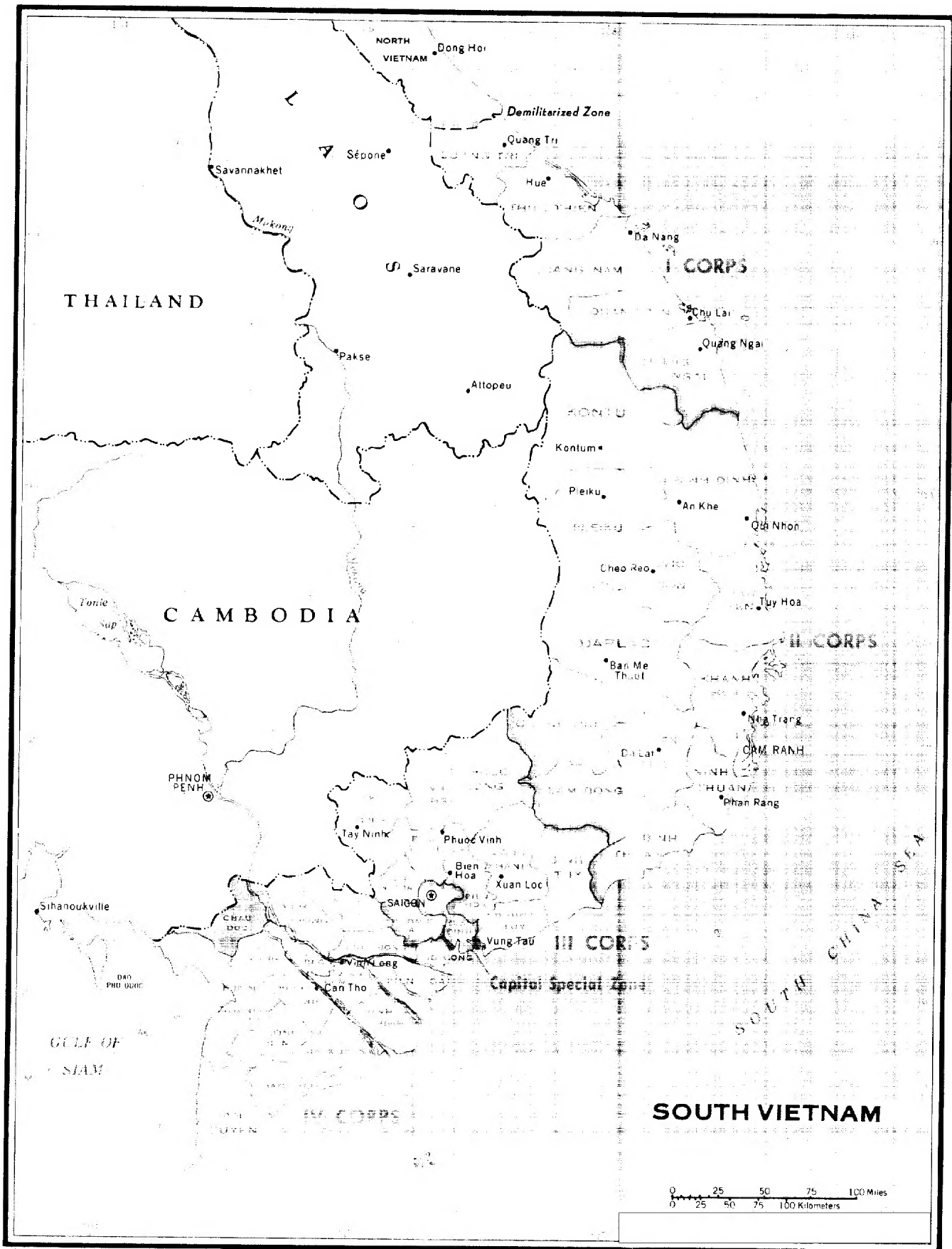
15. On balance, it appears that the militants presently intend to keep their antigovernment efforts relatively low-keyed, while developing their capacity to exploit any fissure in governmental stability. Small demonstrations or other ploys to induce an over-reaction or blunder on the part of the government also remain a possibility.

16. Meanwhile, moderate Buddhists appear discouraged about the degree of cooperation they are receiving from the government, but apparently do not plan to ally themselves with the militants in the near future.

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II. REVOLUTIONARY DEVELOPMENT

Revolutionary Development (RD) efforts are hampered in Chau Doc Province, even though the essential resources are in place, by the vested interests of provincial officials and the general inertia among members of the Hoa Hao sect, the predominant group in the province. An assessment of educational development in the IV Corps area offers some insight into the status of education throughout the country. "New Life Development" programs in rural elementary schools, electrification, and health are lagging about 20 percent behind 1966 construction. The National Police, in an effort to meet their 1967 strength goal of 90,000, have been urged to recruit recently discharged members of the Vietnamese armed forces. Through 12 May, Communist ralliers to the government under the Chieu Hoi ("Open Arms") program have reached 14,634, or slightly less than double the total for the same period of 1966.

Revolutionary Development in Chau Doc Province

1. The situation in Chau Doc Province has changed little since the province was established in October 1964. Areas under the control of the Hoa Hao sect, which dominates the provincial leadership, remain secure but prospects for securing the remainder of the province are not good. Little progress in this direction is currently expected unless additional resources are introduced and those now available are better utilized.

2. Of the approximately 450,000 people in Chau Doc Province, some 50 percent are Hoa Hao, and 10 to 15 percent are ethnic Cambodians. The Hoa Hao leaders in Chau Doc, as in other provinces such as Kien Phong, reluctantly support the national RD program, valuing it primarily in terms of what it can provide their own group in the way of economic benefit. As a result, although they do not notoriously discriminate against other groups, the Hoa Hao have apparently been reluctant to deploy RD teams, or to distribute commodities including funds for flood relief, in non - Hoa Hao areas.

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3. According to MACV's order of battle holdings, Communist strength in Chau Doc numbers 3,150, including the 512th Provincial Battalion. Government forces in the province include--in addition to the 3rd Battalion/15th ARVN Regiment which occasionally operates in Chau Doc--some 3,000 Regional Forces (RF) in 22 companies, and about 4,200 Popular Forces (PF). With a few exceptions among the RF, US advisers rate all of these forces as relatively ineffective. Additionally, there are about 12 companies of Civilian Irregular Defense (CIDG) troops--some 1,700 men--in three Special Forces camps in the border districts of Tinh Bien and An Phu. Three of these companies are ethnic Cambodians who defected from the dissident Khmer Kampuchea Krom movement and have performed poorly; the bulk of the CIDG in Chau Doc are gradually being converted into Regional Force troops, with the US Special Forces teams assuming a conventional province-district advisory role.

4. Despite the presence of the Viet Cong (VC) 512th Provincial Battalion, which operates in both Chau Doc and neighboring An Giang, and the probable presence of the 267th Battalion of the VC Dong Thap I Regiment, there is relatively little Communist activity in the province. The three largely Hoa Hao districts of An Phu, Tan Chau, and Chau Phu are virtually free of VC incidents except for a section of northern An Phu District along the Cambodian border, where the Viet Cong have recently stepped up their activities.

5. Large areas of Tinh Bien and Tri Ton districts, however, have been controlled by the Communists for years. Tri Ton District harbors a major enemy base area called the "Seven Mountains." The government's large Chi Lang RF training center, also in Tri Ton District, is accessible by road only when clearing operations are conducted, and the district capital itself has been largely isolated by the VC.

6.
the VC are planning to concentrate their efforts in Tinh Bien District in the coming months. This decision was reportedly reached because the VC felt they had been unsuccessful in efforts to strengthen their organization in Chau Phu--site of the province capital--during the first four months of 1967.

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7. Inasmuch as the three districts of Chau Doc in which the 1966 RD effort was concentrated have been largely pacified by their Hoa Hao population, much of the RD program last year was little more than a paper exercise. Provincial officials, who show little interest in extending the program into the non - Hoa Hao districts, again this year wanted to confine RD efforts to these same areas. However, the Ministry of Revolutionary Development (MORD), with US advisory backing, issued orders that most Ap Doi Moi ("Real New Life Hamlets") were to be constructed in insecure areas.

8. At present, there are five RD teams, with an average strength of 47 cadre per team, operating in the province. In Tinh Bien District, one team is consolidating four hamlets while another team is constructing two Ap Doi Moi. In Tri Ton District, two RD teams are to build four Ap Doi Moi. Each of these four RD teams has RF and/or PF as a security force. The fifth RD team apparently has arrived only recently in the province and its activities are not yet known. In addition, two more RD teams are scheduled to finish their Vung Tau training and return to the province by July.

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9. [] the performance to date of the RD workers in Chau Doc is mediocre--a rating that is not bad considering the lack of manpower resources in the area. A better performance is expected in the future as a result of the MORD decree that any RD worker dismissed for cause in 1967 will have to pay back the sum of approximately 15,000 piasters that was spent on his training and pay.

10. Chau Doc is apparently one of the focal points for smuggling to and from Cambodia. According to the chief of the province's 620-man police force, use of waterways to conduct this illegal traffic decreased following the initiation of US naval patrols in the area, but local merchants shifted their operations to land routes through An Phu and Tinh Bien districts, allegedly using ARVN trucks. Under pressure from US advisers, the province chief, who is rumored to be involved in this illicit trade, reluctantly agreed to establish military police checkpoints and smuggling reportedly has now been reduced. This type of vested interest among provincial officials, together with the inertia that may reflect Hoa Hao indifference to the RD program, has tended to hamper RD efforts in the province despite the fact that the essential resources are in place.

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Educational Development in IV Corps

11. Recent information on current educational facilities and programs in IV Corps offers some insight into the status of education throughout the country. According to the US Mission, few of the problems encountered in educational development in the IV Corps area are insurmountable, but many of those that result from the Vietnamese cultural pattern and the strong French influence over the educational system will take considerable time to ameliorate.

12. The most significant problem encountered has been the teacher shortage, which may run as high as 4,000 in the IV Corps area alone. This shortage is felt nation-wide and appears to have two principal causes: (1) the military draft, and (2) the reluctance of the Ministry of Revolutionary Development (MORD) to provide funds for the recruitment and training of teachers needed to staff the classrooms already built through self-help efforts. In IV Corps, 1,564 self-help classrooms were constructed by village and hamlet residents between 1963 and 1966. Because of the lack of teachers, however, the MORD in 1966 stopped the authorization of self-help classroom construction, perhaps not realizing that this program was one of the best received by the rural inhabitants.

13. Under continuous advisory prodding, the Ministry of Education has now agreed to employ and finance teachers to replace those drafted into military service, and the MORD has promised to include funds in its FY 1967 budget to recruit and train sufficient teachers to staff the self-help classrooms built in previous years. The problem caused by the drafting of teachers has been partially alleviated by recruiting only women and draft ineligible males for hamlet school teachers. If utilized, disabled military veterans may also provide a much-needed source of personnel for the program.

14. Primary school facilities in IV Corps are available for approximately 52 percent of the school-age children. The secondary school system, however, includes facilities for only 21 percent of the pupils completing the fifth grade. The curriculum of the latter

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schools follows a traditional French liberal arts pattern and advisory efforts to add vocational training have not been well received.

15. The following is a breakdown of educational facilities in IV Corps:

Elementary/Primary Schools (81% government controlled)

2,000 schools
8,400 classrooms
12,000 teachers
611,000 pupils

Secondary Schools (33% government controlled)

135 schools
1,000 classrooms
2,000 teachers
84,000 students

16. The primary schools are supervised by a primary education chief in each province who has a staff of school inspectors. The source for many primary teachers is the Vinh Long Normal School, a two-year teacher training institution that graduates 250 teachers annually. In order to provide the additional teachers needed, every province has established a three-month hamlet schoolteacher training course that provides two months of professional training and one month of practice teaching.

17. The secondary school program is administered in each province by the principal of the leading government public secondary school. Supervision of these schools is, by and large, inadequate and planned expansion of secondary schools may be lagging far behind

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the number of students who are presently receiving a primary education. Teachers for secondary schools are trained in the four national universities at Hue, Da Lat, Saigon, and Can Tho.

18. In addition to the regular secondary school program in IV Corps, advanced training is provided in special vocational high schools, including eight technical, one polytechnic, and one agricultural high school.

"New Life Development" Activities

19. The Ministry of Revolutionary Development's rural elementary school program is lagging about 20 percent behind construction in 1966 despite earlier predictions by government officials that they would have no problem in meeting the 1967 goals. According to US Mission officials, the lag is apparently due to the slow start made in the promotional campaign to organize hamlets and villages toward a self-help effort. During 1966 MORD had halted self-help classroom construction primarily because of a lack of funds for recruiting and training hamlet teachers. MORD has since reinstituted this project, specifying that all 1967 hamlet classroom construction be accomplished only through self-help projects and not through construction. This is apparently an effort by MORD to maximize participation in this popular hamlet project.

20. The two programs showing the least progress in New Life Development, however, are the rural electrification and the rural health programs. The US Mission feels that the GVN ministries bear principal responsibility for the lack of progress made over the past year. An absence of coordination and agreement among Saigon bureaucracies has retarded the successful implementation of programs in these two areas under broad RD plans. General apathy among local Vietnamese officials and their concentration on village/hamlet elections have also contributed to a delay. In the opinion of US officials, the key to the success of these programs funded under the RD budget lies in strong administration and strict control of resources from Saigon to the villages.

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21. The calendar year 1967 program for rural electrification calls for a 50-kilowatt and a 30-kilowatt generator to be placed in each of 36 hamlets. As of 25 March, the plotting of sites for these generators had been completed in only seven hamlets in six provinces (Quang Nam, An Xuyen, Hau Nghia, Binh Long, Sa Dec, and Kien Giang). US officials are continuing to try to persuade the Ministry of Health to adopt USAID recommendations to place tighter controls on retail sales of antibiotics in an effort to develop a source for determining the end use of antibiotic imports.

22. The US Mission's economic warfare adviser has selected pharmaceuticals as one of a small number of strategic commodities upon which tight control will be exercised in an effort to prevent these goods from being illegally manipulated by local businessmen or from falling into the possession of Communist forces. Health Ministry officials are reluctant to impose stiff controls on antibiotics because of opposition from both retail pharmacists and the local population who have so far refused to cooperate.

National Police

23. The director general of the National Police, General Nguyen Ngoc Loan, has urged National Police regional directors to recruit recently discharged members of the Vietnamese armed forces. Loan has also contacted the corps commanders to solicit their support for the recruitment effort. The 31 December 1967 strength goal for the police is 90,000, whereas actual strength, including the police field forces, stood as of 22 April at approximately 62,500.

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III. ECONOMIC SITUATION

During the week ending 8 May the retail price index for Saigon was unchanged as price increases for rice, beef, and chicken were offset by a decline in the price of pork. Gold and currency prices rose on 8 May for the first time in many weeks. Vietnamese unions are threatening strikes against Air America and Esso unless new contracts are signed soon. Premier Ky finally has decided to push hard for certain labor reforms at the port of Saigon as part of his election campaign.

Prices

1. During the week ending 8 May the retail price index for Saigon was unchanged. A decline in the price of pork offset increases for rice, beef, and chicken. Rice prices rose for the second consecutive week, possibly because of lower deliveries from the delta in April. The price of the domestic rice consumed by the working class rose by one piaster to 27 piasters per kilogram, while imported US rice held at the subsidized price of 16 piasters per kilogram. The price of pork declined, reportedly because of large deliveries of hogs to the Saigon slaughterhouse during the weekend prior to 8 May. Nonfood prices remained stable except for a slight increase in the prices of charcoal and laundry soap. (A table of weekly prices in Saigon is included in the Annex.)

2. The prices of selected US-financed imports declined slightly for the fifth consecutive week during the week ending 9 May. The increases for wheat flour and some steel products were more than offset by continued declines in the prices of fertilizer, chemicals, and cement.

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Currency and Gold

3. The prices of dollars and MPC (scrip) rose on 8 May for the first time in six weeks, returning to the level of 24 April. The price of dollars rose by six piasters to 157 piasters per dollar, and the rate for MPC rose by five piasters to 112 piasters per dollar. After declining for eight weeks, the price of gold rose by 14 piasters to 208 piasters per dollar, the rate prevailing on 10 April. The Embassy reports that one factor in the upward movement of the gold and currency rates apparently was a decline in supplies of gold coming into the market from outside Vietnam. (A graph on monthly and weekly currency and gold rates is included in the Annex.)

Labor Problems

4. Vietnamese unions are threatening strikes against Air America and Esso, with sympathy strikes possible at Shell and Caltex. Air America's 550 Vietnamese employees at Tan Son Nhut could cripple operations nationally by striking. They are asking for 30- to 50-percent wage increases. Management's position is not known. Union leaders say that workers will walk out, even though no strike date has been set, unless substantial wage concessions are made soon. The local agency of Pan American granted its Vietnamese employees a 20-percent wage increase in April.

5. Negotiations at Esso have been under way since the first of the year when the union contract expired. At issue are the amounts of wage increases, cost of living allowances, overtime pay, and bonuses as well as the effective date of a new contract. On 16 April the workers voted overwhelmingly to strike at a time designated by their union negotiators, and the Embassy reports that the union delegates are losing patience. A bargaining session was scheduled for 8 May, but was postponed at the request of the Ministry of Labor. As reported earlier, Governor Hanh, the minister of economy and finance, urged the Esso manager not to grant excessive wage increases. The Ministry of Labor

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apparently would like time to consult with Hanh in order to establish a GVN position on wage policy. Esso employees, meanwhile, are still working while waiting for the Ministry of Labor to call a new negotiating session.

Port Labor Reforms

6. Premier Ky finally has decided to implement his August 1965 decree establishing a dock workers' hiring hall at the port of Saigon. Such a move, which would eliminate the middlemen and gang leaders who take cuts from the longshoremen's pay, has long been opposed by the stevedore companies and the Vietnamese Confederation of Labor (CVT) dock workers' union. Ky, however, apparently intends to push hard for the reform because he wants to use this as a campaign issue to dramatize his concern for workers' problems. According to Secretary of Transport Thuan, Ky will address a mass rally at the port to tell workers that they must "revolt" against those who are exploiting them.

7. CVT President Tran Quoc Buu is an active proponent of port labor reforms, but has little control over the Saigon dock workers' union whose leadership defied him by calling a five-day strike at the port last December. The leaders of both the Saigon CVT council and the dock workers' union have publicly supported reform measures, but reportedly are dead set against changing the traditional way of doing business at the port. Secretary Thuan says that these men have "sold out" to the stevedore companies and may try to provoke strikes at the port or elsewhere in Saigon on other issues in order to pressure the GVN to hold off.

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TABLE

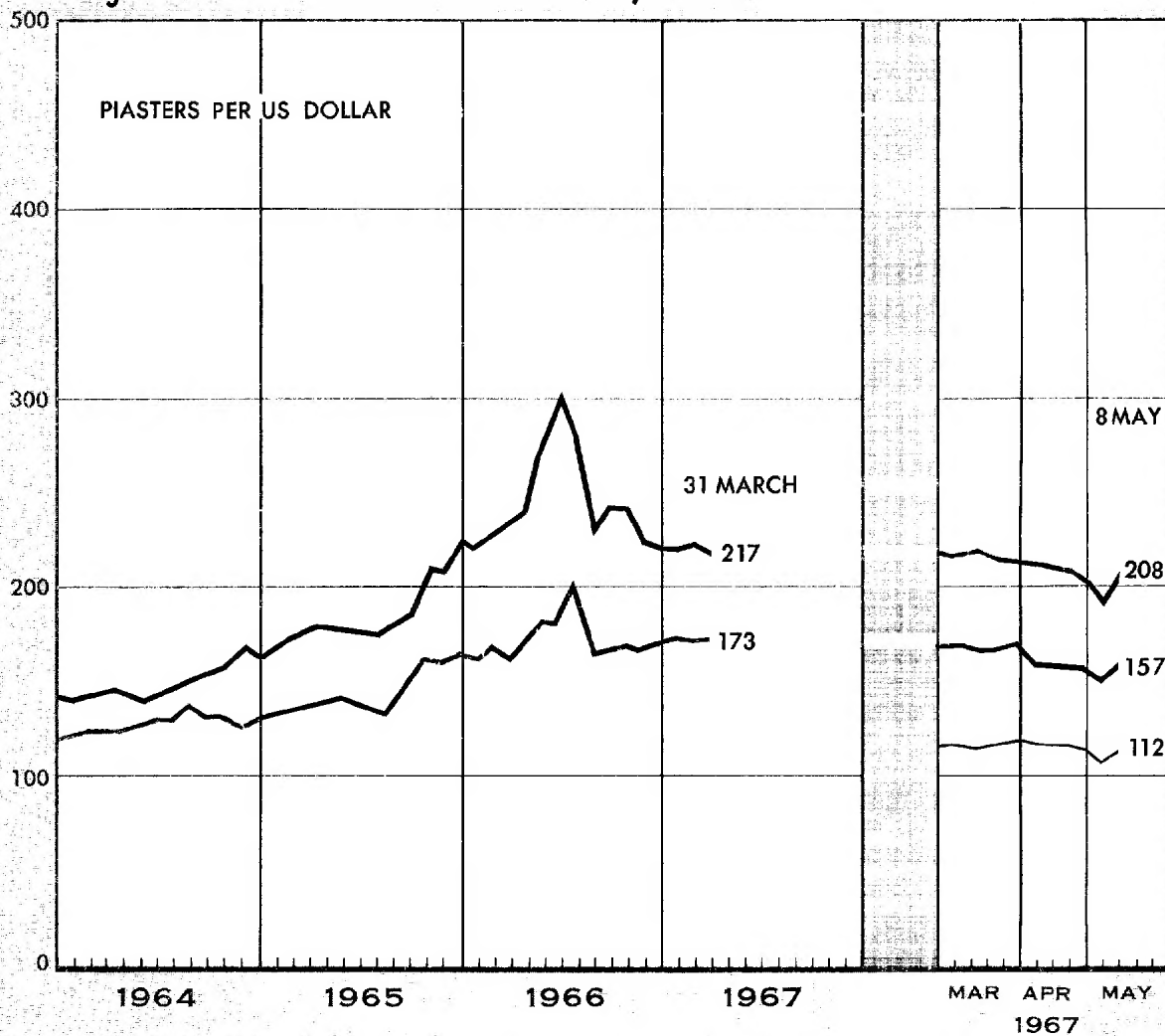
Weekly Retail Prices in Saigon a/

	13 June 1966 b/	16 Aug. 1966 b/	17 Apr. 1967	24 Apr. 1967	2 May 1967	8 May 1967
Index for All Items	<u>173</u>	<u>211</u>	<u>252</u>	<u>254</u>	<u>260</u>	<u>260</u>
Index for Food Items	<u>190</u>	<u>216</u>	<u>279</u>	<u>282</u>	<u>289</u>	<u>289</u>
Of Which: (In Piasters)						
Rice-Soc Nau (100 kg.)	1,250	1,450	2,600	2,550	2,600	2,700
Pork Bellies (1 kg.)	90	100	140	150	150	130
Fish-Ca Tre (1 kg.)	130	170	140	150	150	150
Nuoc Mam (jar)	70	85	150	150	150	150
Index for Nonfood Items	<u>140</u>	<u>190</u>	<u>203</u>	<u>202</u>	<u>206</u>	<u>207</u>
Of Which: (In Piasters)						
Charcoal (60 kg.)	460	600	650	640	650	660
Cigarettes (pack)	10	14	14	14	14	14
White Calico (meter)	27	37	32	31	31	31
Electricity (kwh)	4.2	N.A.	5.2	5.2	5.2	5.2

a. Data are from USAID sources. For all indexes 1 January 1965 = 100.

b. Price levels just prior to and two months after the 18 June devaluation.

Saigon Free Market Gold and Currency Prices



- GOLD: Basis gold leaf worth \$35 per troy ounce
- US \$10 GREEN
- US \$10 MPC Military Payment Certificates (scrip).

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